

INVESTMENT ADVISER
CAPITAL GROWTH MANAGEMENT
LIMITED PARTNERSHIP
Boston, Massachusetts 02110

CGM Focus Fund

39th Quarterly Report
June 30, 2007

A No-Load Fund

TELEPHONE NUMBERS

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This report has been prepared for the shareholders of the Fund and is not authorized for distribution to current or prospective investors in the Fund unless it is accompanied or preceded by a prospectus.

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Investment Adviser
Capital Growth Management
Limited Partnership

To Our Shareholders:

CGM Focus Fund increased 12.8% during the second quarter of 2007 compared to the unmanaged Standard and Poor's 500 Index which returned 6.3%. For the first six months of the year, CGM Focus Fund rose 23.4% while the S&P 500 Index returned 7.0%.

Against the backdrop of a slow growth economy, US business activity perked up over the past three months. The Federal Reserve Board's *Beige Book* indicated growth in manufacturing and jobs for all twelve regions of the country in April and May. Indeed, the economy grew at a faster clip in the second quarter of this year than in the first, which is good news. Manufacturing companies that produce capital goods for other businesses are thriving and those sectors of the economy that derive profits in global markets are faring exceptionally well which is significant given estimates that suggest nearly 50% of revenues of S&P 500 companies comes from outside the US.

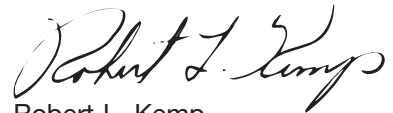
The 800 pound gorilla in the US economy right now is the housing sector which is experiencing one of its largest downturns in years. New housing starts in May were off 24.2% from May of 2006 and the National Association of Home Builders' market index for sale of new single family houses declined from 30 in April to 28 in May which is its lowest level in 16 years (50 and above indicates expansion). Housing-related businesses are affected and there is some slowing in retail activity as well.

On the bright side, the Fed seems to have achieved its goal of warding off inflation—at least for the time being—by raising short term interest rates from 1% to 5.25% between June 2004 and June of last year. The core inflation rate (ex food and energy) for the 12 months ended May 31 is down to a relatively benign 1.9%. On one hand, major domestic corporations with overseas exposure seem to have been unaffected by the rate hikes. On the other, we believe the resulting lower inflation is just what bond investors need in order for long term interest rates on Treasury issues to remain in the 5.0%-5.5% range which is up from

the extreme lows of fairly recently, but still relatively cheap. However, we believe the inflation fight is anything but over as volatile sectors like food and energy heat up, the dollar experiences continued weakness and commodity prices rise.

The Fed has held the Federal Funds rate steady at 5.25% for one year now and, at its meeting last week, again took no action. The long term Treasury bond (10-year maturity) yielded 5.10% at this time last year and is now 5.04%. Relative to short term interest levels, these rates are surprisingly low. Looking ahead, inflation is one risk affecting long-term bond rates and another traces back to the housing market: huge amounts of complex investment instruments owned by institutions and hedge funds are backed by sub prime mortgages. We believe the housing swoon puts the value of many of these securities in jeopardy and in fact, a few hedge funds have already suffered major losses. Should additional losses surface, this topic will warrant closer scrutiny.

CGM Focus Fund held major long positions in the oil service, metals and mining and engineering industries at quarter end. The Fund's three largest long holdings were Open Joint Stock Company "Vimpel-Communications" ADR, Potash Corporation of Saskatchewan, Inc. and Schlumberger Limited. The Fund was also approximately 8% invested in stocks sold short at June 30 (percentage of total net assets). The short positions were in financial services and regional banks. The three largest short positions were Countrywide Financial Corporation, Indymac Bancorp, Inc. and Fortress Investment Group LLC.



Robert L. Kemp
President

July 2, 2007

CGM FOCUS FUND

INVESTMENT PERFORMANCE

(unaudited)

Total Return for Periods Ended June 30, 2007

	<u>The Fund's Cumulative Total Return</u>	<u>The Fund's Average Annual Total Return</u>
5 Years	+150.2%	+20.1%
1 Year	+ 23.0	+23.0
3 Months	+ 12.8	—

The Fund's average annual total return since inception (September 3, 1997) through June 30, 2007 is +21.1%. The adviser limited the Fund's total operating expenses to 1.20% of its average net assets exclusive of any dividend expense incurred on short sales through December 31, 2001. Otherwise, the Fund's average annual total return since inception would have been lower.

The performance data contained in the report represent past performance, which is no guarantee of future results. The table above does not reflect the deduction of taxes a shareholder would pay on Fund distributions or the redemption of Fund shares and assumes the reinvestment of all Fund distributions. The investment return and the principal value of an investment in the Fund will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance data quoted.

See the Schedule of Investments beginning on the next page for the percentage of net assets of the Fund invested in particular industries or securities as of June 30, 2007.

CGM FOCUS FUND

INVESTMENTS as of June 30, 2007

(unaudited)

COMMON STOCKS — 98.4% OF TOTAL NET ASSETS

	<u>Shares</u>	<u>Value(a)</u>
Aerospace — 4.5%		
Embraer-Empresa Brasileira de Aeronáutica S.A. ADR (b)(c)	2,799,500	\$ 134,963,895
Beverages and Tobacco — 1.7%		
Hansen Natural Corporation (d)	1,200,000	51,576,000
Business Services — 3.8%		
Research In Motion Limited (d)	570,000	113,994,300
Chemicals – Specialty — 10.8%		
Potash Corporation of Saskatchewan Inc.	2,275,000	177,381,750
The Mosaic Company (d)	3,690,000	143,983,800
		<u>321,365,550</u>
Copper — 4.9%		
Freeport-McMoRan Copper & Gold Inc.	1,750,000	144,935,000
Engineering — 12.4%		
Fluor Corporation	1,320,000	147,008,400
Foster Wheeler Ltd. (d)	742,800	79,472,172
McDermott International, Inc. (d)	1,750,000	145,460,000
		<u>371,940,572</u>
Financial Services — 4.4%		
MasterCard Incorporated	788,000	130,705,560
Heavy Capital Goods – 4.6%		
Cummins Inc.	1,365,000	138,151,650
Metals and Mining — 12.8%		
BHP Billiton Limited ADR (b)	2,300,000	137,425,000
Companhia Vale do Rio Doce ADR (b)(c)(e)	3,730,000	166,171,500
Rio Tinto plc ADR (b)	260,000	79,591,200
		<u>383,187,700</u>
Offshore Drilling — 4.5%		
Transocean Inc. (d)	1,255,000	133,004,900
Oil – Independent Production — 8.2%		
CNOOC Limited ADR (b)	716,000	81,402,040
Petroleo Brasileiro S.A. – Petrobras ADR (b)(c)(e)	1,360,000	164,927,200
		<u>246,329,240</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

INVESTMENTS as of June 30, 2007 (continued)

(unaudited)

COMMON STOCKS (continued)

	<u>Shares</u>	<u>Value(a)</u>
Oil Service — 19.4%		
Baker Hughes Incorporated (e)	1,650,000	\$ 138,814,500
National Oilwell Varco, Inc. (d)	1,330,000	138,639,200
Schlumberger Limited (e)	1,960,000	166,482,400
Weatherford International Ltd. (d)	2,420,000	133,680,800
		<u>577,616,900</u>
Telephone — 6.4%		
Open Joint Stock Company “Vimpel-Communications” ADR (b)(e)	1,820,000	191,755,200
TOTAL COMMON STOCKS (Identified cost \$2,482,285,979)		<u>2,939,526,467</u>

SHORT-TERM INVESTMENT — 0.6% OF TOTAL NET ASSETS

	<u>Face Amount</u>	
American Express Credit Corporation, 5.23%, 07/02/07 (Cost \$18,070,000)	\$18,070,000	18,070,000
TOTAL INVESTMENTS — 99.0% (Identified cost \$2,500,355,979)		2,957,596,467
Cash and receivables		483,791,241
Liabilities		<u>(453,328,788)</u>
TOTAL NET ASSETS — 100.0%		<u>\$2,988,058,920</u>

(a) See Note 1A.

(b) An American Depositary Receipt (ADR) is a certificate issued by a U.S. bank representing the right to receive securities of the foreign issuer described. The values of ADRs are significantly influenced by trading on exchanges not located in the United States or Canada.

(c) The Fund has approximately 16% of its net assets at June 30, 2007 invested in companies incorporated in Brazil.

(d) Non-income producing security.

(e) A portion of this security has been segregated as collateral in connection with short sale investments. (See Note 1E.)

SECURITIES SOLD SHORT (Proceeds \$256,177,219)

	<u>Shares</u>	<u>Value(a)</u>
Countrywide Financial Corporation	4,200,000	\$152,670,000
FirstFed Financial Corp.	375,000	21,273,750
Fortress Investment Group LLC	975,000	23,224,500
Indymac Bancorp, Inc.	1,875,000	54,693,750
		<u>\$251,862,000</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2007
(unaudited)

Assets

Investments at value (Identified cost — \$2,500,355,979)	\$2,957,596,467	
Cash	4,706	
Deposits with brokers for short sales ...	281,546,511	
Receivable for:		
Securities sold	\$192,459,232	
Shares of the Fund sold	4,710,454	
Dividends and interest ..	5,070,338	202,240,024
Total assets	3,441,387,708	

Liabilities

Securities sold short at current market value (Proceeds \$256,177,219)	251,862,000	
Payable for:		
Securities purchased ...	192,992,889	
Shares of the Fund redeemed	5,307,004	
Tax withholding liability	546,425	198,846,318
Accrued expenses:		
Management fees	2,204,645	
Trustees' fees	21,914	
Accounting, Administration and Compliance expenses	31,086	
Transfer agent fees	147,907	
Other expenses	214,918	2,620,470
Total liabilities	453,328,788	

Net Assets

\$2,988,058,920

Net Assets consist of:

Capital paid-in	\$2,199,413,799	
Undistributed net investment income ..	4,021,623	
Accumulated net realized gains on investments	323,067,791	
Net unrealized appreciation on investments:		
Long positions	457,240,488	
Short positions	4,315,219	

Net Assets

\$2,988,058,920

Shares of beneficial interest outstanding, no par value

69,790,698

Net asset value per share*

\$42.81

*Shares of the Fund are sold and redeemed at net asset value (\$2,988,058,920 ÷ 69,790,698).

STATEMENT OF OPERATIONS

Six Months Ended June 30, 2007
(unaudited)

Investment Income

Income:

Dividends (net of withholding tax of \$982,523)	\$ 13,460,088
Interest on restricted cash	6,518,235
Interest	494,750
	<u>20,473,073</u>

Expenses:

Management fees	11,736,752
Trustees' fees	44,619
Accounting, Administration and Compliance expenses	186,520
Custodian fees and expenses	166,407
Transfer agent fees	375,781
Audit and tax services	18,450
Legal	62,081
Printing	67,106
Registration fees	56,576
Line of credit commitment fee	8,156
Dividend on short sales	3,715,500
Miscellaneous expenses	13,502
	<u>16,451,450</u>
Net investment income	<u>4,021,623</u>

Realized and Unrealized Gain (Loss) on Investments

Net realized gain (loss) on investments:	
Long transactions	382,964,406
Short transactions	(42,562,352)
Net unrealized appreciation on investments:	
Long transactions	150,071,954
Short transactions	48,776,423
Net realized and unrealized gains on investments	<u>539,250,431</u>

Change in Net Assets from Operations

\$543,272,054

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CHANGES IN NET ASSETS

	Six Months Ended June 30, 2007 (unaudited)	Year Ended December 31, 2006
From Operations		
Net investment income	\$ 4,021,623	\$ 49,456,211
Net realized gains from investments	340,402,054	173,863,900
Unrealized appreciation	198,848,377	24,273,033
Change in net assets from operations	<u>543,272,054</u>	<u>247,593,144</u>
From Distributions to Shareholders		
Net investment income	—	(48,763,442)
Net long-term realized capital gains on investments	<u>—</u>	<u>(175,789,197)</u>
	<u>—</u>	<u>(224,552,639)</u>
From Capital Share Transactions		
Proceeds from sale of shares	474,513,088	997,758,557
Net asset value of shares issued in connection with reinvestment of:		
Dividends from net investment income	—	40,066,125
Distributions from net long-term realized capital gains on investments	<u>—</u>	<u>148,382,402</u>
	474,513,088	1,186,207,084
Cost of shares redeemed	<u>(301,764,984)</u>	<u>(578,351,879)</u>
Change in net assets derived from capital share transactions	<u>172,748,104</u>	<u>607,855,205</u>
Total change in net assets	<u>716,020,158</u>	<u>630,895,710</u>
Net Assets		
Beginning of period	<u>2,272,038,762</u>	<u>1,641,143,052</u>
End of period (including undistributed net investment income of \$4,021,623 and \$0 at June 30, 2007 and December 31, 2006, respectively)	<u>\$2,988,058,920</u>	<u>\$2,272,038,762</u>
Number of shares of the Fund:		
Issued from sale of shares	12,321,745	26,593,050
Issued in connection with reinvestment of:		
Dividends from net investment income	—	1,150,667
Distributions from net long-term realized capital gains on investments	<u>—</u>	<u>4,261,150</u>
	12,321,745	32,004,867
Redeemed	<u>(8,036,898)</u>	<u>(15,631,438)</u>
Net change	<u>4,284,847</u>	<u>16,373,429</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

STATEMENT OF CASH FLOWS

Six Months Ended June 30, 2007
(unaudited)

Increase (Decrease) in Cash

Cash flows from operating activities:

Change in net assets resulting from operations	\$ 543,272,054
Adjustments to reconcile change in net assets resulting from operations to net cash provided by operating activities:	
Purchase of investment securities	(5,351,174,552)
Buy to cover of investment securities held short	(466,448,304)
Proceeds from disposition of investment securities	5,228,225,164
Proceeds from short sale of investment securities	356,273,374
Sale of short-term investment securities, net	1,595,000
Decrease in deposits with brokers for short sales	62,635,856
Increase in dividends and interest receivable	(2,270,786)
Increase in receivables for securities sold	(142,908,047)
Increase in tax withholding liability	461,168
Increase in payable for securities purchased	142,355,345
Increase in accrued expenses	440,251
Increase in miscellaneous income	44,879
Mark to market on receivable and liabilities	105
Unrealized appreciation on securities	(198,848,377)
Net realized gains from investments	(340,402,054)
Net cash used in operating activities	<u>(166,748,924)</u>

Cash flows from financing activities:

Proceeds from shares sold	475,219,780
Payment on shares redeemed	(308,463,912)
Cash distributions paid	(5,314)
Net cash provided by financing activities	<u>166,750,554</u>
Net increase in cash	1,630

Cash:

Beginning balance	3,076
Ending balance	<u>\$ 4,706</u>

See accompanying notes to financial statements.

CGM FOCUS FUND

FINANCIAL HIGHLIGHTS

	Six Months Ended June 30, 2007 (unaudited)	Year Ended December 31,				
		2006	2005	2004	2003	2002
For a share of the Fund outstanding throughout the period:						
Net asset value at beginning of period	\$34.68	\$33.40	\$29.51	\$29.93	\$17.98	\$21.87
Net investment income (loss) (a)	0.06(b)	0.82(b)	0.52(b)	0.04(b)	(0.21)	(0.21)
Net realized and unrealized gains (losses) on investments and foreign currency transactions	8.07	4.19	6.93	3.65	12.16	(3.68)
Total from investment operations	8.13	5.01	7.45	3.69	11.95	(3.89)
Dividends from net investment income	—	(0.81)	(0.44)	(0.04)	—	—
Distribution from net short-term realized gains	—	—	(1.80)	—	—	—
Distribution from net long-term realized gains	—	(2.92)	(1.32)	(4.07)	—	—
Total Distributions	—	(3.73)	(3.56)	(4.11)	—	—
Net increase (decrease) in net asset value	8.13	1.28	3.89	(0.42)	11.95	(3.89)
Net asset value at end of period	\$42.81	\$34.68	\$33.40	\$29.51	\$29.93	\$17.98
Total Return (%)	23.4	15.0(c)	25.2	12.4	66.5	(17.8)
Ratios:						
Operating expenses to average net assets (%)	1.01*	1.02	1.07	1.12	1.18	1.18
Dividends and interest on short positions to average net assets (%)	0.29*	0.18	0.15	0.09	—	0.02
Total expenses to average net assets (%)	1.30*	1.20	1.22	1.21	1.18	1.20
Net investment income (loss) to average net assets (%)	0.32*	2.23	1.55	0.14	(0.92)	(0.98)
Portfolio turnover (%)	418*	333	282	327	204	155
Net assets at end of period (in thousands) (\$)	2,988,059	2,272,039	1,641,143	918,837	775,499	383,983

(a) Per share net investment income (loss) has been calculated using the average shares outstanding during the period.

(b) Net investment income (loss) per share excluding all related short sale income and expenses for the period ended December 31, 2004 was \$0.06, for the period ended December 31, 2005 was \$0.23 and for the period ended December 31, 2006 was \$0.36 and for the period ended June 30, 2007 was \$0.02.

(c) In 2006, the Fund's total return consists of a voluntary reimbursement by the adviser for a realized investment loss. Excluding this item, the total return would have been 0.01% less.

* Computed on an annualized basis.

See accompanying notes to financial statements.

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS — June 30, 2007

(unaudited)

1. The Fund is a non-diversified series of CGM Trust which is organized as a Massachusetts business trust under the laws of Massachusetts pursuant to an Agreement and Declaration of Trust. The Trust is registered under the Investment Company Act of 1940 as an open-end management investment company. The Trust has two other funds whose financial statements are not presented herein. Along with one other fund in a separate Trust, there are four CGM Funds. The Fund commenced operations on September 3, 1997. The Fund's investment objective is long-term growth of capital. The Fund intends to pursue its objective by investing in a smaller number of companies, and/or in a more limited number of sectors than diversified mutual funds. In addition, should the investment outlook of the Fund's investment manager so warrant, the Fund may engage in a variety of investment techniques including short sales designed to capitalize on declines in the market price of specific equity securities of one or more companies or declines in market indexes.

The following is a summary of significant accounting policies consistently followed by the Fund in the preparation of its financial statements. The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

- A. Security valuation** — Equity securities are valued on the basis of valuations furnished by a pricing service, authorized by the Board of Trustees. The pricing service provides the last reported sale price for securities listed on a national securities exchange or, in the case of the NASDAQ national market system, the NASDAQ official closing price. For securities with no sale reported and in the case of over-the counter securities not so listed, the last reported bid price is used for long positions and the last reported ask price for short positions. Short-term investments having a maturity of sixty days or less are stated at amortized cost, which approximates value. Other assets and securities which are not readily marketable will be valued in good faith at fair value using methods determined by the Board of Trustees.
- B. Security transactions and related investment income** — Security transactions are accounted for on the trade date (date the order to buy or sell is executed) and dividend income is recorded on the ex-dividend date net of applicable foreign taxes. Interest income is recorded on the accrual basis and includes amortization of premium and discount. Net gain or loss on securities sold is determined on the identified cost basis.
- C. Federal income taxes** — It is the Fund's policy to comply with the requirements of the Internal Revenue Code applicable to regulated investment companies, and to distribute to its shareholders all of its taxable income and net realized capital gains, within the prescribed time period. Accordingly, no provision for federal income tax has been made. At December 31, 2006, there were no capital loss carryovers available to offset future realized gains.

As of December 31, 2006, the components of distributable earnings on a tax basis were as follows:

<u>Undistributed Ordinary Income</u>	<u>Undistributed Long-term Capital Gains</u>	<u>Net Unrealized Appreciation/ (Depreciation)</u>
\$ —	\$ —	\$245,373,068

The identified cost of investments in securities held long by the Fund for federal income tax purposes, and their respective gross unrealized appreciation and depreciation at June 30, 2007 were as follows:

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

<u>Identified Cost</u>	<u>Gross Unrealized Appreciation</u>	<u>Gross Unrealized Depreciation</u>	<u>Net Unrealized Appreciation</u>
\$2,529,207,505	\$442,025,207	\$(13,636,245)	\$428,388,962

- D. Dividends and distributions to shareholders** — Dividends and distributions are recorded by the Fund on the ex-dividend date. The classification of income and capital gains distributions is determined in accordance with income tax regulations. Distributions from net investment income and short-term capital gains are treated as ordinary income for income tax purposes. Permanent book and tax differences relating to shareholder distributions may result in reclassifications to paid-in capital or accumulated realized gain/loss. These differences are primarily related to dividends on short positions which were held less than forty-five days and foreign exchange gains/ losses. The Fund also utilized earnings and profits distributed to shareholders on redemption of shares as a part of the dividend deduction for income tax purposes. Undistributed net investment income or accumulated net investment loss may include temporary book and tax differences such as tax deferral of losses on wash sales, which will reverse in a subsequent period. Any taxable income or gain remaining at fiscal year end is distributed in the following year.

The tax character of distributions paid during the period ended December 31, 2006, were as follows:

<u>Ordinary Income</u>	<u>Long-term Capital Gains</u>	<u>Total</u>
\$48,763,442	\$175,789,197	\$224,552,639

- E. Short sales** — The Fund may sell securities short. A short sale is a transaction in which the Fund sells a security it does not own in anticipation that the market price of that security will decline. When the Fund makes a short sale, it must borrow the security sold short to make delivery to the buyer. The Fund then is obligated to replace the security borrowed by purchasing the security at the market price at the time of replacement. The Fund is liable for any dividends or interest paid on securities sold short. While the short sale is outstanding, the Fund is required to collateralize its obligations, which has the practical effect of limiting the extent to which the Fund may engage in short sales. The market value of securities held in a segregated account at June 30, 2007 was \$671,850,000 and the value of cash held in a segregated account was \$281,546,511.
- F. Indemnities** — In the normal course of business, CGM Focus Fund may enter into contracts that provide indemnities to third parties for various potential losses and claims. CGM Focus Fund's maximum exposure under these arrangements is unknown as this would depend on future claims that may be made against CGM Focus Fund. The risk of material loss from such claims is considered remote.
- G. Statement of cash flows** — Information on the Fund's financial transactions which have been settled through the receipt and disbursement of cash is presented in the financial statement entitled Statement of Cash Flows. The cash amount shown in the Statement of Cash Flows at June 30, 2007 represents cash maintained by the custodian.
- H. Foreign currency translation** — All assets and liabilities initially expressed in terms of foreign currencies are translated into U.S. dollars. Transactions affecting statement of operations accounts and net realized gain/(loss) on investments are translated at the rates prevailing at the dates of the transactions. The Fund does not isolate that portion of the results of operations resulting from changes in foreign

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

exchange rates on investments from the fluctuations arising from changes in market prices of securities held. Such fluctuations are included with the net realized and unrealized gain or loss from investments. Reported net realized foreign exchange gains or losses arise from sales of foreign currency, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the amounts of dividends, interest, and foreign withholding taxes recorded on the Fund's books and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains or losses arise from changes in the value of assets and liabilities other than investments in securities at the end of the period, resulting from changes in the exchange rate.

2. Foreign investment risk — There are certain additional risks involved in investing in foreign securities that are not inherent in investments in domestic securities. These risks may involve adverse political and economic developments and the possible imposition of currency exchange blockages or other foreign governmental laws or restrictions. In addition, the securities of some foreign companies and securities markets are less liquid and at times more volatile than securities of comparable U.S. companies and U.S. securities markets.

3. Purchases and sales of securities — For the period ended June 30, 2007, purchases and sales of securities other than United States government obligations and short-term investments aggregated \$5,351,174,552 and \$5,228,225,164, respectively. There were no purchases or sales of long-term United States government obligations for the period ended June 30, 2007.

4. A. Management fees — During the period ended June 30, 2007, the Fund incurred management fees of \$11,736,752, paid or payable to the Fund's investment adviser, Capital Growth Management Limited Partnership (CGM), certain officers and directors of which are also officers and trustees of the Fund. The management agreement provides for a fee at the annual rate of 1.00% on the first \$500 million of the Fund's average daily net assets, 0.95% of the next \$500 million and 0.90% on amounts in excess of \$1 billion.

B. Other expenses — CGM performs certain administrative, accounting, compliance and other services for the Fund. The expenses of those services, which are paid to CGM by the Fund, include the following: (i) expenses for personnel performing bookkeeping, accounting and financial reporting functions and clerical functions relating to the Fund; (ii) expenses for services required in connection with the preparation of registration statements and prospectuses, shareholder reports and notices, proxy questionnaires for SEC compliance; (iii) registration, filing and other fees in connection with requirements of regulatory authorities; and (iv) compliance in connection to the Investment Company Act of 1940 and to Sarbanes Oxley Act of 2002. The Accounting, Administration and Compliance expense of \$186,520, for the period ended June 30, 2007, is shown separately in the financial statements. These expenses include the reimbursement of a portion of the compensation expenses incurred by CGM for its employees who provide these administrative, accounting, compliance, and other services to the Fund, some of whom are officers of the Fund. Of the total expense reimbursement, \$129,474 represented reimbursements by the Fund to CGM for a portion of the salaries of CGM employees who are officers of the Fund.

C. Trustees fees and expenses — The Fund does not pay any compensation directly to any trustees who are directors, officers or employees of CGM, or any affiliate of CGM (other than registered investment companies). For the period ending December 31, 2007, each disinterested trustee will be compen-

CGM FOCUS FUND

NOTES TO FINANCIAL STATEMENTS (continued)

(unaudited)

sated by the CGM Funds with an annual fee of \$50,000 plus travel expenses for each meeting attended. The disinterested trustees are responsible for the audit committee functions of the CGM Funds and have designated a chairman to oversee those functions who receives an additional \$30,000 annually. Of these amounts, each of the CGM Funds is responsible for \$7,000 per trustee annually, plus an annual variable fee calculated based on the proportion of each of the CGM Funds' average net assets relative to the aggregate average net assets of the CGM Funds.

5. Line of credit — The Fund has a \$40,000,000 committed, secured line of credit with State Street Bank and Trust Company. Borrowings under the line will be charged interest at 0.75% over the current Overnight Federal Funds Rate. The Fund will incur a commitment fee of 0.1% per annum on the unused portion of the line of credit, payable quarterly. There were no borrowings under the line of credit during the period ended June 30, 2007.

6. New accounting pronouncements — In June 2006, the Financial Accounting Standards Board ("FASB") issued FASB Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes – an interpretation of FASB Statement No. 109, "Accounting for Income Taxes". FIN 48 establishes financial reporting rules regarding recognition and measurement of tax positions taken or expected to be taken on a tax return. Adoption of FIN 48 is required for the first financial statement reporting period after June 29, 2007 and is to be applied to all open years as of the effective date. Based on management's analysis, FIN 48 does not have a material impact on the Fund's financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157, (FAS 157) "Fair Value Measurements". FAS 157 defines fair value, establishes a framework for measuring fair value in accordance with generally accepted accounting principles and expands disclosure about fair value measurements. FAS 157 is effective for fiscal years beginning after November 15, 2007. Management is currently evaluating the impact of adopting FAS 157.

CGM FOCUS FUND

FUND EXPENSES

As a shareholder of CGM Focus Fund, you incur two types of costs: (1) transaction costs, which could include, among other charges, account fees (for certain retirement accounts) and wire fees and (2) ongoing costs, including management fees and other Fund expenses. This Example is intended to help you understand your ongoing costs (in dollars) of investing in the Fund and to compare these costs with the ongoing costs of investing in other mutual funds.

The Example is based on an investment of \$1,000 invested at the beginning of the period and held for the entire period January 1, 2007 to June 30, 2007.

Actual Return and Expenses

The first line of the table below provides information about actual account values and actual expenses. You may use the information in this line, together with the amount you invested, to estimate the expenses that you paid over the period. Simply divide your account value by \$1,000 (for example, an \$8,600 account value divided by \$1,000 = 8.6), then multiply the result by the number in the first line under the heading entitled "Expenses Paid During Period" to estimate the expenses you paid on your account during this period.

Hypothetical Example for Comparison Purposes

The second line of the table below provides information about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. The hypothetical account values and expenses may not be used to estimate the actual ending account balance or expenses you paid for the period. You may use this information to compare the ongoing costs of investing in the Fund and other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of the other funds.

Please note that the expenses shown in the table are meant to highlight your ongoing costs only and do not reflect any transactional costs such as any wire fees or account fees that may be payable. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you determine the relative total costs of owning different funds. In addition, if these transactional costs were included, your costs would have been higher.

	<i>Beginning Account Value 1/01/07</i>	<i>Ending Account Value 6/30/07</i>	<i>Expenses Paid During Period* 1/01/07 – 6/30/07</i>
Actual	\$1,000.00	\$1,234.40	\$7.20
Hypothetical (5% return before expenses)	\$1,000.00	\$1,018.35	\$6.51

* Expenses are equal to the Fund's annualized expense ratio of 1.30%, which includes expenses related to short sales activity, multiplied by the average account value over the period, multiplied by 181/365 (to reflect the one-half year period).

ADDITIONAL INFORMATION

(unaudited)

Availability of Proxy Voting Information:

Proxy voting policies and information regarding how the Fund voted proxies relating to portfolio securities during the twelve month period ended June 30, 2007 are available without charge, upon request by calling 1-800-345-4048. The policies also appear in the Fund's Statement of Additional Information, which can be found on the SEC's website, <http://www.sec.gov>. The voting records can also be found on the SEC's website on the Fund's Form N-PX filing.

Portfolio Holdings:

The Fund files its complete schedule of portfolio holdings with the SEC for the first and third quarters of each fiscal year on Form N-Q. The Fund's Forms N-Q are available on the SEC's website at <http://www.sec.gov> and may be reviewed and copied at the SEC's Public Reference Room in Washington, D.C. Information on the operation of the Public Reference Room may be obtained by calling 1-800-SEC-0330.

Advisory Agreement Approval:

In considering renewal of the advisory agreement, during meetings held in March and April 2007, the Board of Trustees of the Fund (the "Board") considered the following factors and came to the following conclusions:

1. The Board considered the nature, extent, quality and scope of the investment advisory and administrative services provided by CGM to the Fund. The Board agreed that the nature, extent, quality and scope of the CGM professional team working on the Fund was very high, and was satisfied with the quality of CGM's advisory and administrative services.
2. The Board considered the investment performance of the Fund and CGM and reviewed information regarding the performance of the Fund as compared to a peer group of other capital appreciation funds selected and provided by Lipper, Inc., an independent provider of investment company data. The Board determined that the Fund's performance was above the mean compared to other mutual funds included in the Lipper reports for the one-, three-, five- and nine-year periods ended December 31, 2006. The Board agreed that this performance reflected in large measure the focus of CGM on long-term performance in managing the Fund's assets, rather than pursuing short-term market movements. The Board acknowledged that, while for some periods this focus on long-term performance might cause the Fund to lag other comparable mutual funds with a more short-term focus, over the longer term CGM's approach had proven its worth.
3. The Board discussed the costs of the services provided and profits realized by CGM from the relationship with the mutual funds advised by CGM and each of the separate accounts managed by CGM, and found that the profit margins were reasonable and not excessive.
4. The Board discussed with CGM whether economies of scale might be realized with growth in the Fund. The Board considered the Fund's ability to sell securities short and the increased efforts on the part of CGM required to carry out these activities as Fund assets increase. Given the Fund's investment style and performance, the Board determined that it would not be advisable at this time to seek to make adjustments to the break point structure of the advisory fees paid by the Fund.

CGM FOCUS FUND

ADDITIONAL INFORMATION (continued)

(unaudited)

5. The Board received and considered information comparing the advisory fees paid by the Fund and the overall expenses borne by the Fund with those of funds in the relevant expense universe as selected and provided by Lipper, Inc. The Board noted that the overall expense ratio of the Fund was below the average of the expense ratios of other mutual funds included in the Lipper reports. The Board also reviewed information regarding fees charged by CGM to its other clients, including its separate account clients. CGM reviewed with the Board the significant differences in scope of services provided to the Fund and to those other clients, noting that the Fund required a greater allocation of management's time as a result of its differing investment mandate and the fact that it is a publicly offered investment vehicle. The Board discussed the fee comparisons in light of the differences required to manage these different types of accounts. Based on these comparisons, the Board concluded that the advisory fees paid by the Fund and the overall expenses borne by the Fund were fair and reasonable.

In addition to the foregoing, in light of the fact that CGM could potentially benefit from soft dollar arrangements of the Fund, the Board of Trustees reviewed the brokerage commissions of the Fund and concluded that the brokerage commissions were reasonable, particularly given the Fund's focus on best execution.

CGM FOCUS FUND

BOARD OF TRUSTEES

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G. KENNETH HEEBNER

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INVESTMENT ADVISER

CAPITAL GROWTH MANAGEMENT LIMITED PARTNERSHIP

Boston, Massachusetts 02110

TRANSFER AND DIVIDEND PAYING AGENT AND CUSTODIAN OF ASSETS

STATE STREET BANK AND TRUST COMPANY

Boston, Massachusetts 02111

SHAREHOLDER SERVICING AGENT FOR STATE STREET BANK AND TRUST COMPANY

BOSTON FINANCIAL DATA SERVICES, INC.

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